

NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.

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FOR RELEASE May 23, 1961

I B MORTON CO. INC. REGISTRATION REVOKED. The SEC today announced a decision (Release 34-6561) revoking the broker-dealer registration of I. B. Morton & Company, Inc., 39 Broadway, New York, for fraud in the sale of securities and other violations of the Federal securities laws. Morton I. Binstock, president and principal stockholder, was found to be a cause of the revocation order. Both the company and Binstock consented to the action.

According to the Commission's decision (written by Commissioner Frear), Morton & Company, under Binstock's direction, offered and sold during the period April to October 1958 more than 100,000 shares of common stock of Vari-Pac Corporation at an average price of \$2 per share to about 300 public investors residing in 22 states. In soliciting the purchase of such securities by means of long distance telephone calls, registrant and its salesmen made numerous false and misleading statements. These misstatements included representations concerning Vari-Pac's products, plant, buildings, equipment, patents and development and engineering department; the contracts for the sale of its products; the number of its sales accounts and a prospective increase therein; the company's earnings, profits and credit rating; the prospective purchase of Vari-Pac by a major electrical company; the future increase in the price of Vari-Pac's stock and the listing of such stock on the New York Stock Exchange. In fact, Vari-Pac had no plant, no manufacturing facilities, no development and engineering department, no patents and no large contracts for products. It had very few sales accounts and no prospects of a substantial increase therein. Vari-Pac had no negotiations for its purchase by or merger with any other company and it had not made any applications for listing of its stock on the New York Stock Exchange nor was it in a position to meet the requirements for such listing. Vari-Pac had no commercial credit rating and as of April 30, 1958, it had an earned surplus of \$6,707, representing earnings of less than one-half cent per share, and its stock had a book value of approximately 10 cents per share.

These misrepresentations violated the anti-fraud provisions of the said laws. In addition, Morton & Company engaged in the conduct of a securities business in violation of the Commission's net capital rule; was enjoined in October 1958 by a Federal court, in an action filed by the Commission, from violation of the anti-fraud and net capital provisions; and failed to amend its registration application to correct the disclaimer therein that no such injunction had been issued.

H N COOPER & CO. INC. REGISTRATION POSTPONED. In a decision announced today (Release 34-6564), the SEC ordered the postponement of an application for broker-dealer registration under the Securities Exchange Act filed by H. N. Cooper & Company, Inc., 88-29 155 Avenue, Howard Beach, N. Y., pending decision of the ultimate question whether registration should be denied. The Commission ruled that testimony of investors and other evidence presented at a hearing tend to substantiate allegations in the order instituting the proceedings, that Myron A. Cooper and Herbert, sole officers of the company, made false and misleading statements in connection with the offer and sale in 1956 of stock of Century Controls Company, and that it is appropriate in the public interest to postpone the effective date of Cooper & Company's broker-dealer registration pending final determination whether registration should be denied.

REPORTING EXEMPTION GRANTED PACIFIC NATURAL GAS. The SEC has issued an order pursuant to Rule 15d-20 under the Securities Exchange Act of 1934 granting an application of Pacific Natural Gas Company, of Longview, Wash., for an exemption from the requirements of Section 15(d) of that Act for filing annual and other periodic reports with the Commission.

According to the application, approximately 98.4% of the outstanding common stock of Pacific is owned by Cascade Natural Gas Corporation. The balance of the stock is owned by 36 other persons; and Pacific has agreed to furnish annual financial reports to its stockholders upon request.

PENN FUEL GAS PROPOSES ACQUISITION. Penn Fuel Gas, Inc., Oxford, Pa., has filed a proposal with the SEC under the Holding Company Act for the acquisition of three public-utility companies; and the Commission has issued an order (Release 35-14444) giving interested persons until June 15th to request a hearing thereon.

According to the application, about 80% of the outstanding Penn Fuel common is owned by John H. Ward, 3rd, its president. Ward also owns all the outstanding shares of common stock of three gas utility companies, Counties Gas Company, Curwensville Gas Company, and Jersey Shore Gas & Heating Company, each of which is a Pennsylvania corporation operating entirely within that State. Penn Fuel proposes to acquire all the shares of stock of the three companies from Ward and to issue 31,962 shares of Penn Fuel common to Ward in payment therefor.

REVISED FINANCING BY CENTRAL AND S.W. SUBSIDIARIES APPROVED. The SEC has issued an order under the Holding Company Act (Release 34-14445) modifying its prior order of March 16, 1961, with respect to the purchase by Central and South West Corporation, Chicago holding company, of notes of subsidiaries. The said order authorized Central to purchase \$1,000,000 of notes of Public Service Company of Oklahoma and \$3,500,000 of notes of Southwestern Electric Power Company. In view of the fact that Public Service no longer has need

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for the \$1,000,000 and that Southwestern requires an additional \$1,000,000 to meet unexpected payments due in June and July 1961 for construction purposes, the Commission has issued a supplemental order withdrawing authority for issuance of the \$1,000,000 of notes by Public Service and authorizing Southwestern to issue an additional \$1,000,000 of notes.

LIFE INSURANCE FUND EXEMPTED. The SEC has issued an order under the Investment Company Act (Release IC-3257) granting an application of Life Insurance Fund, Inc., Fayetteville, N. Car., for an order declaring that it has ceased to be an investment company.

N.Y. TRAP ROCK CORP. FILES FOR STOCK OFFERING. New York Trap Rock Corporation, 162 Old Mill Road, West Nyack, N. Y., filed a registration statement (File 2-18151) with the SEC on May 19th seeking registration of 175,000 shares of common stock, to be offered for public sale through underwriters headed by Smith, Barney & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in quarrying, processing and marketing three types of crushed stone; trap rock, dolomite and limestone. It owns and operates quarries on the Hudson River at Haverstraw, Tomkins Cove and Clinton Point, N. Y. and an inland quarry at West Nyack. The company plans to enter the lightweight aggregate business and to use substantially all the of the net proceeds from the stock sale for such purpose. It estimates that \$2,500,000 will be expended for the acquisition of shale deposits and the construction and equipment of a lightweight aggregate manufacturing plant on tidewater near Kingston, N. Y. The balance of such proceeds will be added to general funds and will be available for capital expenditures and working capital.

In addition to certain indebtedness, the company has outstanding (after giving effect to a 5-for-1 split in May 1961) 866,025 shares of common stock, of which management officials as a group, excluding Wilson P. Foss, president, own 61,250 shares (7%). Foss and 25 other descendants and relatives of the late Wilson P. Foss, Sr., hold the voting rights and beneficial ownership of various amounts of such stock amounting in the aggregate to 741,775 shares (86%).

BORDEN CO. FILES STOCK OPTION PLAN. The Borden Company, 350 Madison Ave., New York City, filed a registration statement (File 2-18153) with the SEC on May 22nd seeking registration of 100,000 shares of capital stock, to be offered pursuant to the company's 1961 Stock Option Plan.

DIAMOND CRYSTAL SALT FILES FOR SECONDARY. Diamond Crystal Salt Company, 916 South Riverside Ave., St. Clair, Mich., filed a registration statement (File 2-18154) with the SEC on May 22nd seeking registration of 300,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof through an underwriting group headed by Kidder, Peabody & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the production and sale of both flake and granulated evaporated salt and rock salt. In addition to indebtedness, it has outstanding 1,109,368 shares of common stock, of which the 17 selling stockholders own 1,064,968 shares and proposes to sell 300,000 shares. Moore Investment Company owns 440,000 shares and proposes to sell 93,430 shares; and Charles F. Moore, president and board chairman, owns 396,800 shares and proposes to sell 84,250 shares.

TONKA TOYS FILES FOR STOCK OFFERING AND SECONDARY. Tonka Toys, Inc., Mound, Minn., filed a registration statement (File 2-18155) with the SEC on May 22nd seeking registration of 155,000 shares of common stock, of which 60,000 shares are to be offered for public sale by the company and 95,000 shares, being outstanding stock, by the present holders thereof. The offering will be made on an all or none basis through underwriters headed by Bache & Co. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 13,000 common shares which underlie 5-year warrants issued to the principal underwriter, exercisable at a price per share to be supplied by amendment.

The company designs, assembles, manufactures and markets toys under the trade name "Tonka," consisting principally of a line of metal trucks and other vehicles, construction equipment and related plastic toys and accessories. The net proceeds from the company's sale of additional stock will initially be added to working capital. It is anticipated that the company's Plant No. 2 at Mound will be enlarged within the next year at an estimated \$250,000 with about 60% of the cost to be financed through a mortgage and the balance from working capital. The company expects to spend about \$100,000 during 1961 for the production of tools and dies in connection with new models and model changes for 1962, all of which will be paid from working capital.

In addition to certain indebtedness and preferred stock, the company has outstanding (after giving effect to a 21.5-for-1 stock split in March 1961) 215,000 shares of common stock, of which L. E. Baker, board chairman, owns 131,150 shares and proposes to sell 80,000 shares, and R. L. Wenkstern, president, and G. E. Batdorf executive vice president, own 32,250 shares each and propose to sell 5,000 shares each. M. H. McDonald also proposes to sell 5,000 shares.

TELECTRO TRADING BAN TO END MAY 30. The SEC has issued an order under the Securities Exchange Act of 1934 temporarily suspending trading in the common stock of Telectro Industries Corp., of Long Island City, N. Y., on the American Stock Exchange and in the over-the-counter markets, for an additional seven-day period, May 24 to May 30, 1961, inclusive.

The Commission also announced that it has no present intention of continuing the ban on trading in Telectro stock after May 30th, and that trading in the stock may be resumed, both on the Exchange and the over-the-counter market, at the opening of business May 31, 1961.

Trading in Telectro stock was first suspended by Commission order of March 15, 1961, by reason of the fact that available information with respect to Telectro was considered inadequate for purposes of an evaluation of the stock by shareholders and public investors. Subsequently, following completion of an audit of the company's books and records by independent accountants, the company's annual report for 1960 was mailed to

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stockholders (under date of May 20, 1961). The report contains a balance sheet as of December 31, 1960, together with income and profit and loss and surplus statements for the year ended that date, certified by the said accountants. The annual report is accompanied by a notice of the company's annual meeting, to be held June 20, 1961, which notice includes a letter from the company's president reciting further and additional facts including results of operations for the first quarter ended March 31, 1961.

In view of the publication of this information, the Commission concluded that it could appropriately lift the ban on trading in Telectro stock after the lapse of ten days from such publication.

ALLSTATE BOWLING CENTERS PROPOSES OFFERING & SECONDARY. Allstate Bowling Centers Inc., 30 Verbena Ave., Floral Park, New York, filed a registration statement (File 2-18152) with the SEC on May 19th seeking registration of 300,000 shares of capital stock. The company and All-State Properties, Inc. (which owns all the outstanding 250,000 shares of stock) propose to offer an aggregate of 300,000 shares for subscription at \$10 per share by stockholders of All-State Properties at the rate of one share for each nine shares held. The issuing company proposes to offer 200,000 shares of this stock and All-State Properties 100,000. The record date is to be supplied by amendment. Bear, Stearns & Co., the underwriter, will receive a 5% commission plus an additional 5% in respect of any unsubscribed stock acquired by it. The registration statement also includes 20,000 capital shares which underlie 5-year options sold to the underwriter at 10¢ each and exercisable at \$10 per share.

The company is engaged in the business of constructing and operating modern, air-conditioned, automated bowling centers in several states. At present it has in operation five bowling centers with an aggregate of 150 lanes and has under construction nine additional centers (324 lanes) which are expected to be in operation by the end of this year. The company has also signed leases and other agreements providing for the construction of additional centers. The company estimates that pre-opening expenses on bowling centers now opened or expected to be opened before the end of this year, including security deposits on leases and down payments on purchase and installation of lanes, automatic pinsetters and other fixtures and equipment, will be about \$950,000, of which \$750,000 will be paid out of the net proceeds from the company's sale of additional 200,000 shares of stock. The balance of the estimated minimum net proceeds of \$1,800,000 is expected to be used for expenses of opening other bowling centers, the purchase of bowling centers from others and for working capital.

As indicated, All-State Properties, owner of the 250,000 outstanding common shares, proposes to sell 100,000 shares in this offering. Herbert Sadkin is listed as board chairman of the company and president of All-State Properties, and Robert P. Brown as president of the company. The investment of All-State Properties in the issuing company is said to approximate \$500,000.

OCEANARIUM FILES FOR STOCK OFFERING AND SECONDARY. Oceanarium, Inc., Marineland, Los Angeles County, Calif., filed a registration statement (File 2-18156) with the SEC on May 22nd seeking registration of 125,000 shares of common stock, of which 62,500 shares are to be offered for public sale by the company and 62,500 shares, being outstanding stock, by the present holders thereof. Blyth & Co., Inc. is listed as underwriter. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the operation of "Marineland of the Pacific," located on the Palos Verdes Peninsula, about 28 miles south of the Civic Center in Los Angeles. Marineland is an entertainment enterprise consisting of an oceanarium for the exhibition of large ocean mammals and fish, extensive outdoor facilities for presenting performances by trained aquatic animals, and a number of specialized marine exhibits similar in scale to those found in a conventional aquarium. At Marineland the company owns and operates gift shops, camera shops and a motel and owns and leases to an operator a restaurant and cocktail lounge and a separate snack bar. In December 1960 the company purchased 19.25 acres of undeveloped land adjacent to its property at a cost of \$700,677. To assist in its financing, the company incurred short term bank indebtedness of \$200,000 which has been repaid, and the balance came from working capital. The net proceeds from the company's sale of additional stock will be applied to replenish working capital funds and to improve its working capital position.

In addition to certain indebtedness, the company has outstanding (after giving effect to a 7-for-1 stock split in June 1961) 584,500 shares of common stock, of which Henry U. Harris, president, owns 37,513 shares and proposes to sell 2,400 shares and, as trustee of sundry trusts, holds 25,827 shares and proposes to sell 8,000 shares. Marine Studios, Inc. owns 81,725 shares and management officials as a group 113,405 shares. The prospectus lists 24 other selling stockholders who propose to sell amounts ranging from 200 to 7,040 shares.

TRADING IN BLACK BEAR INDUSTRIES SUSPENDED. The SEC has issued an order under the Securities Exchange Act suspending trading on the San Francisco Mining Exchange and the over-the-counter market in the common stock of Black Bear Industries, Inc. (formerly Black Bear Consolidated Mining Co.) for a further ten-day period May 24 to June 2, 1961, inclusive.

MIDAMERICA MUTUAL FUND ORDER. The SEC has issued an order under the Investment Company Act granting an application of Midamerica Mutual Fund, Inc., Cedar Rapids, Iowa, for exemption with respect to the sale of its shares to owners of certain 20 payment life insurance policies with coupons attached, heretofore issued by Investors Life Insurance Company of Iowa, at a price different from the price at which Fund shares are to be sold to the public generally.

DALE W. CRIPPEN FILES GUILTY PLEA. The SEC Chicago Regional Office announced May 15th (LR-2022) that Dale W. Crippen had withdrawn his plea of not guilty and entered a plea of guilty to two counts of a fourteen-count indictment (USDC, Des Moines, I.) charging him with violating the Securities Act anti-fraud provisions.

ACTION FILED TO COMPEL REPORTING BY UNION CORP. OF AMERICA. The SEC announced May 22d (LR-2023) the filing of court action (USDC St. Louis) seeking to compel the filing of annual and other periodic reports by Union Corporation of America, St. Louis, Mo., as required by the Securities Exchange Act pursuant to an undertaking contained in that company's Securities Act registration statement which became effective in December 1955.

SEC TO PARTICIPATE IN H H MUNDY CORP. REORGANIZATION. The SEC announced today (CR-149) that it has filed notice of appearance in the Chapter X proceedings for the reorganization of H. H. Mundy Corporation (Tulsa) and its subsidiary, Rutang Corporation (Miami) pending in the U. S. District Court for the Northern District of Oklahoma. The court has appointed B. Hayden Crawford as trustee. Mundy has outstanding 3,000,000 common shares held by 600 stockholders. With listed assets of \$485,144 and liabilities of \$348,589, it has been unable to meet its debts as they matured. Mundy's losses for the 11-month period ended June 30, 1960, amounted to \$264,119; and for the next four months its sales averaged \$19,000 per month and its net profit amounted to \$16,497 for the period.

GPC INC. PROPOSES OFFERING. GPC, Inc., Box 583, Portsmouth, Va., filed a registration statement (File 2-18157) with the SEC on May 22nd seeking registration of 2,055 shares of Class A common stock, to be offered for public sale at \$25 per share, and \$118,500 of 8% Certificates of Indebtedness, to be offered for sale in 1,580 units at \$75 each. No underwriting is involved. (A similar registration statement was filed by GPC on March 27, 1961 covering 2,180 Class A shares and \$126,000 of Certificates, and was withdrawn on May 10th).

Organized under Virginia law in September 1960, the company intends to construct a modern 32 lane bowling center on Route 58 (the new Portsmouth-Suffolk Boulevard) in Portsmouth, the land for such center and related facilities having been purchased by the company. Net proceeds from this financing will be used for construction costs in excess of that which will be procured under a first mortgage loan.

In addition to certain indebtedness, the company has outstanding 1,445 Class A shares, and an additional 1,200 shares are reserved for issuance upon exercise of outstanding options held by the organizers. J. Earl Cox, president and one of the organizers, owns 420 shares; and Gertrude G. Phelan, another organizer, owns 525 shares. Eloise L. Gumm is listed as vice president and manager.

HEARING SCHEDULED ON PRUDENTIAL INSURANCE APPLICATION. The SEC has scheduled for hearing on June 12th an application for an exemption order the Investment Company Act filed by Prudential Insurance Company of America pertaining to its proposed offering and sale of variable annuity contracts. The application seeks a determination (among others) that Prudential will be the issuer of such contracts and is not an investment company required to register under the Investment Company Act ("the Act").

Under New Jersey law, pursuant to which Prudential was organized, the proceeds of the sale of variable annuity contracts (after certain deductions) must be earmarked in a separate fund and segregated from the company's other assets. Prudential proposes to invest such proceeds primarily in equity securities. If the Commission were to determine that this segregated fund, as distinct from Prudential, is the issuer of the variable annuity contracts and is an investment company, Prudential's application in effect requests an order exempting the fund from certain provisions of the Act.

The provisions of the Act from which exemption is sought for such fund deal for the most part with the voting rights of holders of investment company securities, the manner in which directors are selected, and the terms ^{HP98K} which a redeemable security may be issued and sold. The New Jersey law, for example, provides that holders of variable annuity contracts will only be entitled to vote for directors, charter amendments and mergers and does not provide for shareholder approval of other matters, including changes in certain investment policies which would govern the fund, as provided in the Act.

Under New Jersey law, seven out of Prudential's 23-man board of directors are appointed rather than elected; and the present application seeks an order permitting the continuance of such arrangement and the election by Prudential's conventional insurance and variable annuity contract holders of only the remaining 16 directors. The Act prohibits any person from serving as a director of an investment company unless elected by the security holders of the company.

The Prudential application seeks other exemptions from the Act. Its variable annuity contracts provide that the contract owner may redeem the contract before the variable annuity payments commence, and receive its value, if less than \$1,000, in a lump sum not less than 30 days after presentation, and if \$1,000 or more, over a 36-month period. The Act, on the other hand, provides that the value of redeemable securities must be determined and paid within seven days after presentation for redemption. Because Prudential's variable annuity contracts will only be sold on a monthly-purchase-payment basis over a period of years, they will be periodic payment plan certificates as defined in the Act, which prohibits the sale of such a certificate unless it is a redeemable security. In addition, the sales load to be deducted by Prudential from payments during the second to fourth years will differ proportionately from the deductions on the fifth and tenth years, which in turn will differ from the deductions thereafter. The Act, on the other hand, provides that the sales load deducted from the first 12 monthly payments must be proportionately alike, and all succeeding deductions must be proportionately alike. (For additional details, see Release IC-3259).

SECURITIES ACT REGISTRATIONS. Effective May 23: Webster Publishing Co., Inc. (File 2-17707); Scot Lad Foods, Inc. (File 2-17818); Arizona Public Service Co. (File 2-17989); Brooklyn Union Gas Co. (File 2-18054); Link-Belt Co. (File 2-18072).